

EXHIBIT D



Northstar Offshore Group struggling to keep afloat amidst Black Elk restructuring, Platinum Partners dealings - Clarification

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[Editor's Note: This clarifies Debtwire Middle Market intelligence #2277379. The piece originally published on 1 August stated that that Northstar Offshore Group had a USD 14m check due to the estate of Black Elk Energy Offshore in connection with a pre-petition transaction. That obligation instead was a requirement to have USD 14m cash collateral available, according to court documents. Additionally, subsequent to initial publication, Platinum Partners contacted this news service and stated it is not the majority owner of Northstar, but that it does have a "minority common equity share ownership position." The story below has been amended to reflect the firm's statements on the ownership matter.]

A significant group of vendors have sent demands for payment to **Northstar Offshore Group LLC**, said three sources familiar with the situation. This has put considerable strain on the offshore oil and gas producer, which has been struggling amidst a sector downturn, and was also recently intertwined – along with shareholder Platinum Partners – in the complex bankruptcy of **Black Elk Energy Offshore**.

Black Elk, another offshore producer to which Platinum owns a stake, was subject to an involuntary bankruptcy brought on by trade creditors last August. During the case, a pre-petition asset sale Black Elk struck with Northstar was contested. Ultimately, the plan of liquidation confirmed late last month required Northstar to make USD 14m in cash collateral available to replace surety bonds Black Elk had written.

“Northstar continues to manage its accounts payable and pay its invoices in the ordinary course of business. In an effort to further bolster Northstar’s balance sheet, it is also undertaking various initiatives designed to unlock the upside potential of its properties,” said Northstar Offshore spokesperson Montieth Illingworth told *Debtwire*.

Northstar’s capital structure consists of a small super priority letter of credit and USD 80m in second lien 12% private notes due 2019. Platinum holds USD 50m of the issuance, while New Mountain Finance Corp. holds the remaining USD 30m after buying it from Platinum, according to a [disclosure](#) made in a lawsuit launched by New Mountain against Platinum.



Separately, New Mountain is currently alleging that Platinum is required to repurchase the notes through a put option, but has failed to do so, according to the lawsuit filed in the New York State Supreme Court of Manhattan in March 2016.

Given the rise in trade creditors taking action against energy companies through involuntary bankruptcies, Northstar also isn't immune to this type of threat, the sources agreed. Even so, if Northstar's vendors don't bring it down, then its complicated relationship with the bankrupt Black Elk and Platinum just might.

"Low oil prices are a challenge but we have confidence in management and the company's prospects," said Illingworth, declining to comment further on Northstar's financial position. New Mountain Finance did not return multiple calls seeking comment.

It isn't the first time the Northstar has had issues keeping up with payments.

In January 2015, oilfield service giant Baker Hughes filed a lawsuit against Northstar alleging that the operator owed them USD 82,297.88 for services provided between May 2014 and June 2015, according to the court petition filed with the Eastern District court of Louisiana. The dispute was settled within a few weeks when Northstar paid the amounts owed to the oilfield services giant.

This time the group is large enough that it would have enough support to launch an involuntary bankruptcy filing against the company, the sources noted.

The minimum threshold for filing an involuntary bankruptcy requires three or more creditors, with the petitioning creditors' claims amounting to at least USD 15, 775 more than the value of any lien on the debtor's property, according to Section 303 of the Bankruptcy Code.

The Triad

Platinum has recently been under attack for [alleged fraudulent transactions](#) involving Black Elk, as well as for a [kickback scheme](#) involving the chief of the New York City correctional officers' union. Subsequent to the allegations, and in light of an investigation by federal prosecutors, Platinum is shutting down its main hedge fund, according to multiple press reports.

The relationship between Northstar, Platinum, and Black Elk goes back to a series of transactions detailed and scrutinized in the Black Elk bankruptcy process. It all started when Black Elk was up [against the clock to pay an upcoming bond maturity](#) and was running out of money.



Black Elk's [plan of liquidation](#) establishes a litigation and liquidation trust. Sources noted that the litigation trust could go after Northstar as it pursues creditor recoveries for Black Elk, particularly with respect to the prepetition transaction where Northstar bought Black Elk assets.

If Northstar fails to post the cash collateral obligation by the effective date of the Chapter 11 plan, the plan calls for the assets to be placed with the litigation and liquidation trusts, according Black Elk's liquidation plan. Illingworth, however, notes that the cash collateral has been made available by Northstar.

When Black Elk's trade creditors filed the involuntary bankruptcy petition in August 2015 against the company, they specifically were challenging transactions with Northstar and Renaissance Offshore. The trade creditors alleged that the transactions were orchestrated to funnel money to Platinum at the expense of Black Elk's creditors and estate.

In August 2014, Black Elk sold seven operating wells and one non-operating well to Quantum Energy Partners-backed Renaissance for USD 149.2m in net proceeds, according to a company press release. The following January, Black Elk sold another six properties to TKN Petroleum Offshore, a Platinum majority-owned entity, according to court filings. That transaction became an issue as the insolvency proceeding in August 2015 imposed an automatic stay and interrupted the transfers of assets and the plugging and abandonment liabilities associated with the assets.

With this transaction, Black Elk may have had the cash collateral to fund its bankruptcy in the form of cash tied up in bonds related P&A liabilities associated with the assets being sold, according to court documents. Instead the debtor had to seek a USD 15m [DIP loan](#) from both an ad hoc group of not holders and Argonaut Insurance Company, one of the insurance companies involved in bonding for Black Elk assets.

Again in January 2015, Platinum then offered another selection of Black Elk assets to Northstar for the assumption of USD 70m of Black Elk 13.75% senior secured notes, according to the original purchase agreement filed with the Black Elk bankruptcy. This transaction was also interrupted by the bankruptcy proceeding and prevented some of the assets from being transferred to Northstar, as well as P&A bonding transfers, according to the court filings.

Black Elk's bankruptcy process revealed that the debtor could only account for USD 315m of the USD 360m in cash from the various sale transactions, according to the liquidation plan and disclosure statement. The litigation trust may pursue causes of action against Platinum, among other parties, over its actions in several asset sales, according to the plan.

Given the examinations done on the transactions in the Black Elk bankruptcy case, the three sources said that Northstar was essentially used as a vehicle for Platinum to



transfer Black Elk assets and pay itself. There is a lot of animosity between Platinum and the Northstar management team, added the sources.

“The sale of the Black Elk assets benefited Northstar and was approved by the bankruptcy court as optimal for Black Elk. We believe our role here served both companies well and was also in the best interests of our fund investors,” said Illingworth, on behalf of Platinum.

Northstar Offshore, in its current existence, is the child of two former iterations of a vehicle company with a strategy to acquire, develop and sell shallow offshore Gulf of Mexico oil and gas assets. Its original inception was in 1996, founded by S. Glynn Roberts, who is still at the helm as CEO, according to local press reports.

The company then got sold on multiple occasions between 2006 and 2014 by private equity energy funds, before it fell into the hands of Northstar GOM Holdings Group LLC, a Delaware company, formed by Platinum Partners in order to acquire Northstar Offshore Group LLC, according to a securities purchase and put agreement between Platinum and New Mountain Finance dated November 2014.

Illingworth maintains that Platinum has a minority equity share ownership position in Northstar, and notes that the full ownership structure is detailed in a non-public 2015 amendment to the Northstar Offshore Group LLC agreement.

[CLICK HERE](#) to read the Northstar Offshore Securities Purchase and Put Agreement between New Mountain Finance Corp. and Platinum Partners

[CLICK HERE](#) to view the New Mountain affidavit in its lawsuit against Platinum Partners

[CLICK HERE](#) to read all *Debtwire* intelligence on the **Black Elk Energy Offshore**.

[CLICK HERE](#) to view all filings related to **Black Elk Energy Offshore's** Chapter 11 filings on **Debtwire Dockets**.

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